

# Reagan Nominee Says SALT Talks Nine Months Off

By Michael Getler  
 Washington Post Service  
**WASHINGTON** — Eugene V. Wastrow, President Reagan's nominee to head the U.S. Arms Control and Disarmament Agency, has estimated that the administration will not be in a position to enter negotiations with Moscow on reducing strategic nuclear weapons for at least nine months.

Mr. Wastrow's comments at his confirmation hearings before the Senate Foreign Relations Committee on Monday provided a new timetable, even though a preliminary one, for such talks. The committee chairman, Sen. Charles H. Percy of Illinois, made clear that he felt nine months is too long to wait "for one of the most crucial and critical areas to have to deal with."

Sen. Percy, a Republican, cited a Reagan campaign statement of October, 1980, recalling that Mr. Reagan had said that "as president, I will make immediate preparation for negotiations on a SALT treaty." The senator said that any people based their support on Mr. Reagan on that statement.

**Preliminary Contacts**  
 U.S. allies also view the strategic arms talks as crucial, Sen. Percy said, and going part way into the second year of a Reagan presidency to even begin them was a long time to wait. "How long are we going to delay this process?" Sen. Percy asked.

Earlier this month, administration officials revealed that preliminary contacts on the arms issue had been made. They said that Secretary of State Alexander M. Haig Jr. and the Soviet ambassador to Washington, Anatoli F. Dobrynin, had arranged for high-level talks during the summer to prepare for an autumn meeting between Mr. Haig and the Soviet foreign secretary, Andrei A. Gromyko.

Mr. Wastrow said, however, that he was going to take nine months or more to reach a point where the United States knew what it was trying to achieve and what kind of proposals to make. Although the ad-



French Socialist Party Secretary Lionel Jospin, left, and Georges Marchais, the Communist leader, shaking hands after their discussions on the next Cabinet ended early Tuesday morning.

# 2d Hard-Line Pro-Soviet Group Emerges Within Party in Poland

By Brian Mooney  
 Reuters  
**WARSAW** — A new group of hard-line Communists approved by Moscow emerged in Poland on Tuesday in what appeared to be a stepped-up campaign against the Polish party's reformist majority.

Poles were informed about the group, the Poznan Communist Forum, in a Tass report that was published in major dailies.

Informed Soviet sources said the Poznan forum was founded a week ago in sympathy with a similar unofficial forum in Katowice, which issued a statement Monday night attacking liberal trends in the official mass media.

Until the Tass report Tuesday, there had been no mention of the Poznan forum in the Polish press.

Hard-liners, seeking to reverse or check the reforms since last summer's labor revolt, have found only a small constituency in Poland but they are receiving increasing support from elsewhere in the Soviet bloc.

**Soviet-bloc pressure on Poland.**  
 • Poland has asked \$500 million in emergency aid from Communist market states. Page 2.

visible mainly in the mass media, was clearly linked to next month's special party congress, which is expected to sanction most of the democratic gains of the last 12 months.

Western diplomats in Warsaw said that with the congress scheduled to begin in three weeks, on July 14, they expected the pressure to mount.

About 80 percent of the delegates being elected to the congress are newcomers and the meeting seems certain to result in substantial changes in the ruling party's upper echelons.

But informed party sources said they did not expect the congress to produce any spectacular departures from Communism that could strain Kremlin patience beyond the breaking point.

Both the Poznan and Katowice groups have issued warnings against radical trends in the ruling party and the Poznan group appealed to the delegates to elect leaders who would guarantee orthodox Marxism.

The two groups have both criticized the official media in an attempt to persuade the party leader, Stanislaw Kania, to carry out his promises to crack down on anti-Communist tendencies in the press.

The Poznan forum, which the Soviet sources said had 400 members, called on the authorities to fire editors and reporters responsible for anti-Communist tendencies.

It echoed Monday night's statement by the Katowice forum, which charged that it had not been given a fair hearing in the official media.

The Polish press has become the focus in the Soviet bloc and its journalists are led by a Communist reformer, Stefan Bratkowski, who has a wide following.

Soviet-bloc criticism has also been leveled against publications of the Solidarity trade union movement.

The chairman of the Polish-Soviet Friendship Society, Stanislaw Wronski, said Monday that Solidarity's publications were promoting a wave of anti-Soviet sentiment in direct contradiction to the union's charter.

Solidarity said Tuesday that the editor of one of its regional bulletins had been summoned by a prosecutor in the town of Pila for alleged infringement of the 1946 censorship law. The summons was believed to be the first of its kind against the union.

Meanwhile, the Radom branch of the National Unity Front appealed to the Sejm (parliament) to withdraw the mandate of deputy Janusz Prokopiak, former party chief in the region.

The front, a government-sponsored umbrella organization, acted under pressure from the local Solidarity branch, which holds Mr. Prokopiak responsible for the brutal suppression of a workers' protest in Radom in 1976.

# French Government Names 4 Communists To Ministerial Posts

By Jonathan Kandell  
 International Herald Tribune  
**PARIS** — The Socialist government named four Communists to the Cabinet on Tuesday, making France the first major Western country to invite Communists into national office since the reconstruction years immediately following World War II.

The appointment of the four officials was announced after the Communist leadership signed an accord with the Socialists retreating on some of its pro-Moscow positions in foreign affairs and aligning itself more closely with President Francois Mitterrand's policies at home and abroad.

The Communists named to Prime Minister Pierre Mauroy's Cabinet included: Charles Fiterman, minister of transport; Anicet Le Pors, minister of administrative reform; Jack Ralite, minister of health; and Marcel Rigout, minister of vocational training.

None of the posts are considered to be among the major ministries. As part of his Cabinet shuffle, Mr. Mauroy also appointed Robert Badinter, a distinguished Socialist lawyer, as minister of justice, and Pierre Dreyfus, a Socialist who once directed the state-owned Renault automobile company, as minister of industry. Mr. Dreyfus replaced Pierre Joxe, a Socialist whose more radical opinions had drawn criticism from the business community.

The decision to bring Communists into the government may unsettle France's allies abroad and private investors. By coincidence, Vice President Bush is scheduled to arrive in Paris for a one-day visit on Wednesday and will meet with Mr. Mitterrand and other government officials.

**Security Risk Feared**  
 Some Western officials believe that the appointment of Communists to even minor Cabinet posts entails a security risk. They are also fearful that the decision could set a precedent for Italy, where the Communists are far stronger than in France.

Among investors, particularly conservative Arabs who hold large accounts in France, the inclusion of Communists in the Cabinet might strengthen fears that the country is veering sharply leftward.

But Mr. Mitterrand and his Socialists have argued that the Communists emerged from the recent National Assembly elections in such a weakened state that they have no power to determine government policies or block legislative programs.

The president is said to feel that by inviting the Communists into office, he will encourage a more moderate conduct by the party, pay back his debt to the several million Communist voters who helped elect him, and forestall any future moves by a disgruntled party leadership to stir trouble in the trade-union movement, where Communist influence remains great.

Socialist leaders have also maintained that Communist ministers would have no access to sensitive foreign-affairs or military information.

Georges Marchais, the Communist secretary-general, and other Politburo members pressed for a role in the government to salvage in part what has been a disastrous political turn for the party. In the recent presidential and legislative elections, one-fourth of Communist voters abandoned the party's candidates in favor of the Socialists. Dropping to its lowest electoral levels in 45 years, the party gained only 44 seats in the 491-member National Assembly, about half its total in the previous legislature.

Mr. Marchais is now expected to try to quell dissatisfaction in the Communist ranks by arguing that internal disputes should be set



PARTY GAINS — Bettino Craxi, the Italian Socialist leader, displays the front page of a newspaper announcing "A Big Advance" for his party in local elections. Page 2.



SOVIET MEETING — President Leonid I. Brezhnev, bottom row at right, conferring with Premier Nikolai A. Tikhonov on Tuesday at the opening of a two-day session of the Supreme Soviet. In the middle row are Tass Pelsbe, head of the party control board, and Mikhail Solomentsev, premier of the Russian Republic. In the top row are Yuri Andropov, head of the KGB security police, and Foreign Minister Andrei Gromyko. Details, Page 2.

# Hua Reportedly Resigns at Party Meeting

By Michael Parks  
 Los Angeles Times Service  
**PEKING** — Communist Party chairman Hua Guofeng has resigned, admitting "serious errors" in leadership, at the start of a meeting of the party's policy-making Central Committee, Chinese sources report.

Mr. Hua, who had fought for a return to retain the post, is expected to be succeeded by Hu Yaobang, the party general secretary and the chief lieutenant of Deng Xiaoping, the party's powerful deputy chairman.

The 215-member Central Committee is also discussing a controversial and long-delayed assessment of Mao in an attempt to balance his achievements and mistakes, venerating him as a great revolutionary but abrogating most of his policies.

Taken together, replacing Mr. Hua, a long-expected but still difficult move, and the formal Mao assessment will mark the end of the Maoist era in China. Serious differences on both questions delayed the meeting for more than nine months.

Also on the Central Committee's agenda, the sources said Monday, are a reaffirmation of the policy followed for the past 2 1/2 years under Mr. Deng's leadership, particularly the restructuring of the country's economy and his proposals for reorganizing the party.

A full review of Chinese foreign policy, especially the emerging alliance with the United States, Japan and Western Europe, has also been drafted for the Central Committee's consideration, the sources said, and will probably be issued in July.

The meeting began last week with a preliminary discussion of all the issues and went into formal session over the weekend, according to informed Chinese sources.

The session is expected to conclude later this week, with the Mao assessment to be issued on the party's 60th anniversary, July 1.

Government spokesmen said Monday they could not comment on these accounts of the meeting nor even confirm yet that the formal session had begun. Usually well-informed officials said that the meeting was being held under heightened secrecy because of the controversy surrounding several questions, including the Mao appraisal and the replacement of Mr. Hua.

**Deng's Consensus**  
 Mr. Hua's resignation at the outset of the meeting was reportedly accepted by a large majority in a vote of Central Committee members, demonstrating the success Mr. Deng has had with compromise and cajoling in rebuilding his consensus over the past six months.

Mr. Deng had sought to replace Mr. Hua, Mao's chosen successor, with Mr. Hu last autumn and even secured Mr. Hua's agreement to step aside, but the deal collapsed when Mr. Hua accused Mr. Deng of reneging on its terms. The principal issue, Chinese sources said then, was the harshness of the proposed Mao assessment and the degree to which Mao's policies were to be abandoned.

Mr. Deng convened a series of major conferences through November, December and January in an attempt to force Mr. Hua out, charging him with opposing the country's new, post-Mao forces. But Mr. Deng encountered intense resistance within the party bureaucracy and the military and among groups that supported his goals but objected to his tactics.

The setback by Mr. Deng's greatest since he returned to power after the Cultural Revolution, threw the country into political turmoil, requiring extensive efforts to calm it.

Preparations for the current

# INSIDE

**Envoys Ousted**  
 Zambia expels two senior U.S. diplomats and declares four others, no longer in the country, persona non grata, allegedly for spying. Page 3.

**U.S. Tax Bill**  
 The U.S. Senate Finance Committee approves three major provisions of a tax-relief bill, including a cut to 30 percent from 70 percent in the maximum tax rate individuals pay on investment income. Page 3.

**Luxembourg**  
 A special supplement on banking and finance in Luxembourg appears on Pages 7S-18S.

# Bani-Sadr Said to Stay in Iran

By Barry May  
 Reuters  
**TEHRAN** — Abolhassan Bani-Sadr, who was dismissed Monday as president of Iran by Ayatollah Ruhollah Khomeini, was still in the country Monday night, the Tehran revolutionary prosecutor said Tuesday.

"He has probably not yet gone out of the country," the prosecutor, Assadollah Lajvardi, said at a news conference in Tehran's Evin Prison following an announcement that nine more opponents of the government had been executed by firing squads Monday night.

A powerful bomb exploded early Tuesday morning in the railway station of Qom, 80 miles (130 kilometers) south of Tehran, killing four persons and wounding 58, the state radio reported. Qom is the main center of the ruling Shiite Moslem clergy.

At least 32 persons have been executed since the weekend, when factional violence over Mr. Bani-Sadr in the streets of Tehran resulted in 25 deaths.

The executions followed swiftly, and Ayatollah Mohammad Gilani, the judge who signed the death warrants, said at the prison news conference that the accused "were infidels and must be executed." He added that opposition to

Iran's Islamic regime was sufficient to judge a person an infidel.

He denied that children aged 13 and 14 were among those executed. "None was less than 17," he said, "but in any case, on the basis of Islam, a 9-year-old girl is considered mature."

Mr. Lajvardi, the Tehran prosecutor, said about 400 people had

members of the Revolutionary Guard and security centers had a general order permitting arrests in emergencies.

The Tehran Times said that Mr. Ghotbzadeh, a supporter of Mr. Bani-Sadr, had been arrested Monday. A spokesman for Mr. Ghotbzadeh said the report was false, but he said he had no information on the former foreign minister's whereabouts.

The revolutionary prosecutor of two western provinces was quoted by the newspaper Islamic Republic as saying that Mr. Bani-Sadr was in western Iran. There was no official reaction to reports from Cairo that Mr. Bani-Sadr was there.

# Caribbean Aid Plan Faces Test

By Alan Riding  
 New York Times Service  
**MEXICO CITY** — Despite the unexpected agreement by President Reagan and President Jose Lopez Portillo of Mexico in their talks earlier this month to work out a joint economic aid package for the Caribbean basin, the initiative faces formidable political difficulties.

In reality, the much-vaunted assistance plan for the region is still at an embryonic stage, with the World Bank, the Inter-American Development Bank, Venezuela and Canada eventually expected to join the United States and Mexico in financing and implementing it.

Yet questions are already being raised in the region about the viability of a plan that seeks to isolate economic problems from the sharp political differences that exist, not only within and between the countries of the area but also among potential aid donors.

"If anyone thinks that economic aid can resolve the political crises in El Salvador and Guatemala, they're simply naive," a regional economist said, citing two Central

NEWS ANALYSIS

American countries polarized by extremist violence.

Further, while the Reagan administration initially portrayed the economic development plan as a way to contain Communism, Mr. Lopez Portillo insisted in Washington last week that it should not involve military aid, should not be directed against the Soviet bloc and should not exclude any country in the region, a clear allusion to the leftist governments in Cuba, Nicaragua and Grenada.

In a Washington briefing last weekend, an administration trade official argued that there was no impediment to Mexico's aiding the three leftist-governed countries

since each donor nation would design its own program. He indicated that the United States would emphasize private investment and trade concessions in its own approach.

Current U.S. thinking is that the Caribbean program — unlike the Marshall Plan that helped rebuild Western Europe after World War II and the Alliance for Progress that provided economic and military aid to Latin America in the 1960s — should not involve a single, American-controlled development fund but should coordinate existing and new bilateral aid programs.

Although the United States appears to recognize the new political role being played in the region by Mexico, Venezuela and Canada and is anxious that they share the financial burden of the development plan, many officials in the area are skeptical that enough

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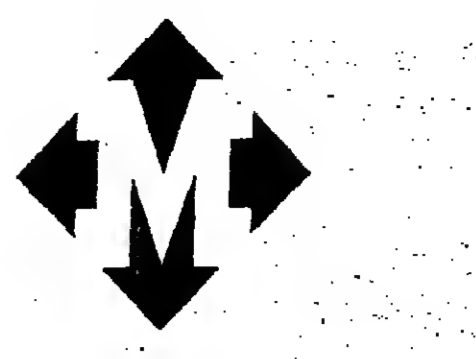




# NYSE Nationwide Trading Closing Prices June 23

Tables include the nationwide prices up to the closing on Wall Street.

12 Month Stock High Low Div. in 5 Yld. P/E 100% High Low Close	12 Month Stock High Low Div. in 5 Yld. P/E 100% High Low Close	12 Month Stock High Low Div. in 5 Yld. P/E 100% High Low Close	12 Month Stock High Low Div. in 5 Yld. P/E 100% High Low Close
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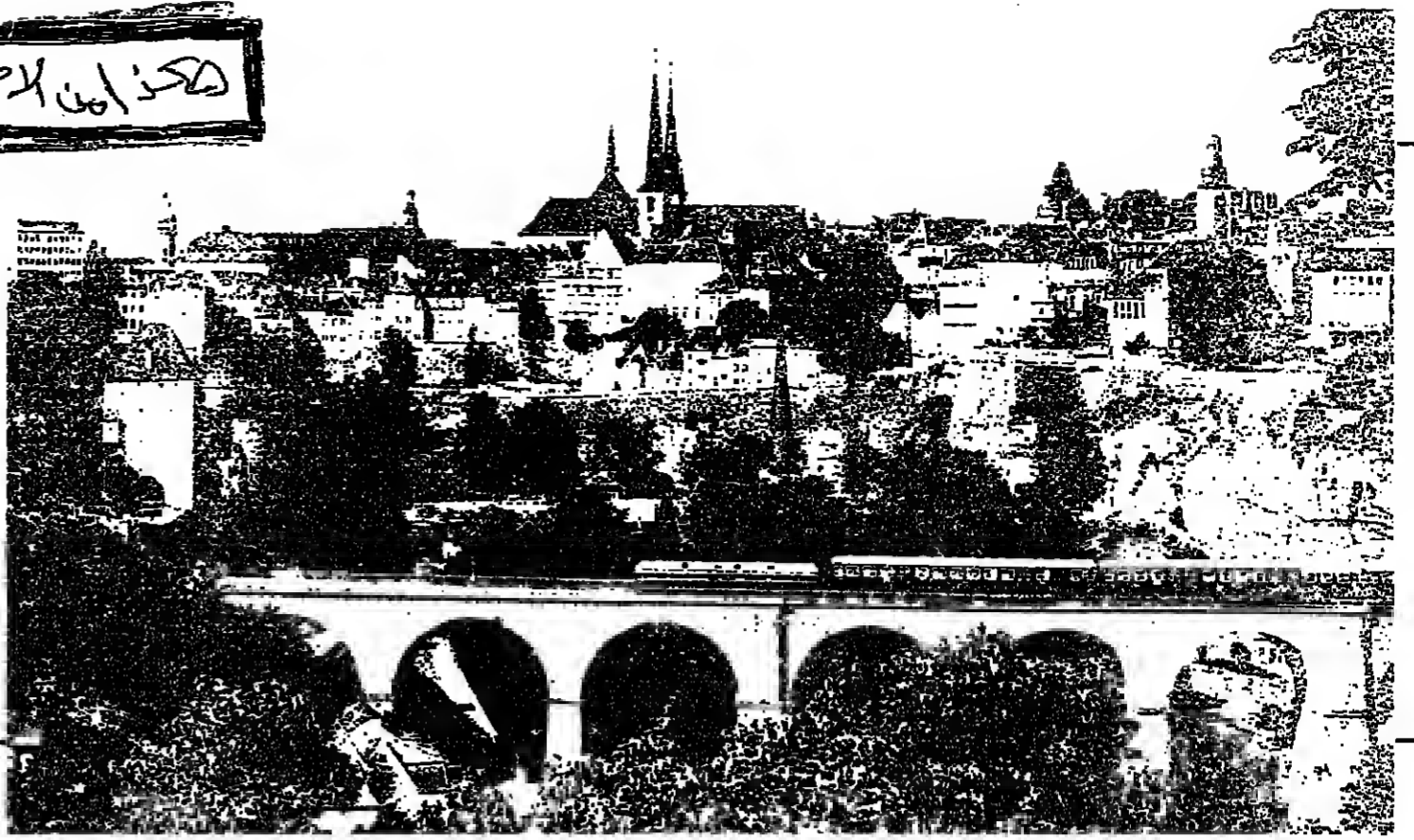
12 Month Stock High Low Div. in 5 Yld. P/E 100% High Low Close	12 Month Stock High Low Div. in 5 Yld. P/E 100% High Low Close
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الشرق الأوسط

# Banking and Finance in LUXEMBOURG

A SPECIAL SUPPLEMENT



## Running Hard and Maintaining Position

By Jasper Becker

"NOW HERE, it takes all the running you can do to keep in the same place," said the Red Queen to Alice in Lewis Carroll's "Through the Looking Glass."

In the 20 years it has taken Luxembourg to become Europe's second city for Euro-market transactions, it is now that the Red Queen's observation is most relevant. Luxembourg's efforts to remain competitive with other offshore banking centers means that it has to run fast to stand still. If it does not, the banks that have brought prestige, employment and prosperity will go elsewhere.

The Boulevard Royal loops around the old city center in the site of the once formidable city walls. This is Luxembourg's Wall Street, with 112 banks from around the world. "They are all here for different reasons," a banker said.

Ernest Muehlen, the Luxembourgian secretary of state for labor and finance, explained: "While the growth in the number of banks has been encouraged by certain factors indigenous to Luxembourg, it is just as true that this development has been stimulated by circumstances outside the Grand Duchy."

This is not surprising. The Grand Duchy is a 1,000-square-mile wedge of land squeezed between France, Belgium and West Germany. Since the early 1920s, it has been linked to Belgium by an economic union (UEBL). Over the centuries, foreign armies and their potentates have come and gone but the Luxembourgians have kept their language and their cultural identity.

### Romantic City

Part of the attraction for foreigners has been the capital, perched across two ravines and dubbed the "Gibraltar of the North." It is ruled by a grand duke, whose family has been in power since 1890. The city, with a population of 80,000, has a romantic and fantastic air about it — a jumble of bridges, battlements and spires that draws thousands of tourists in the summer months.

The Euro-markets are loosely defined as transactions made in a currency outside its country of origin — a Euro-dollar is one that has been deposited and re-lent outside the United States. The banks that handle this business are generally attracted to places where

*This 1,000-square-mile wedge of land has grown dramatically as a financial center in the last few years. It is not a tax haven, yet it has attracted 112 banks. They are all here for different reasons,' said one banker.*

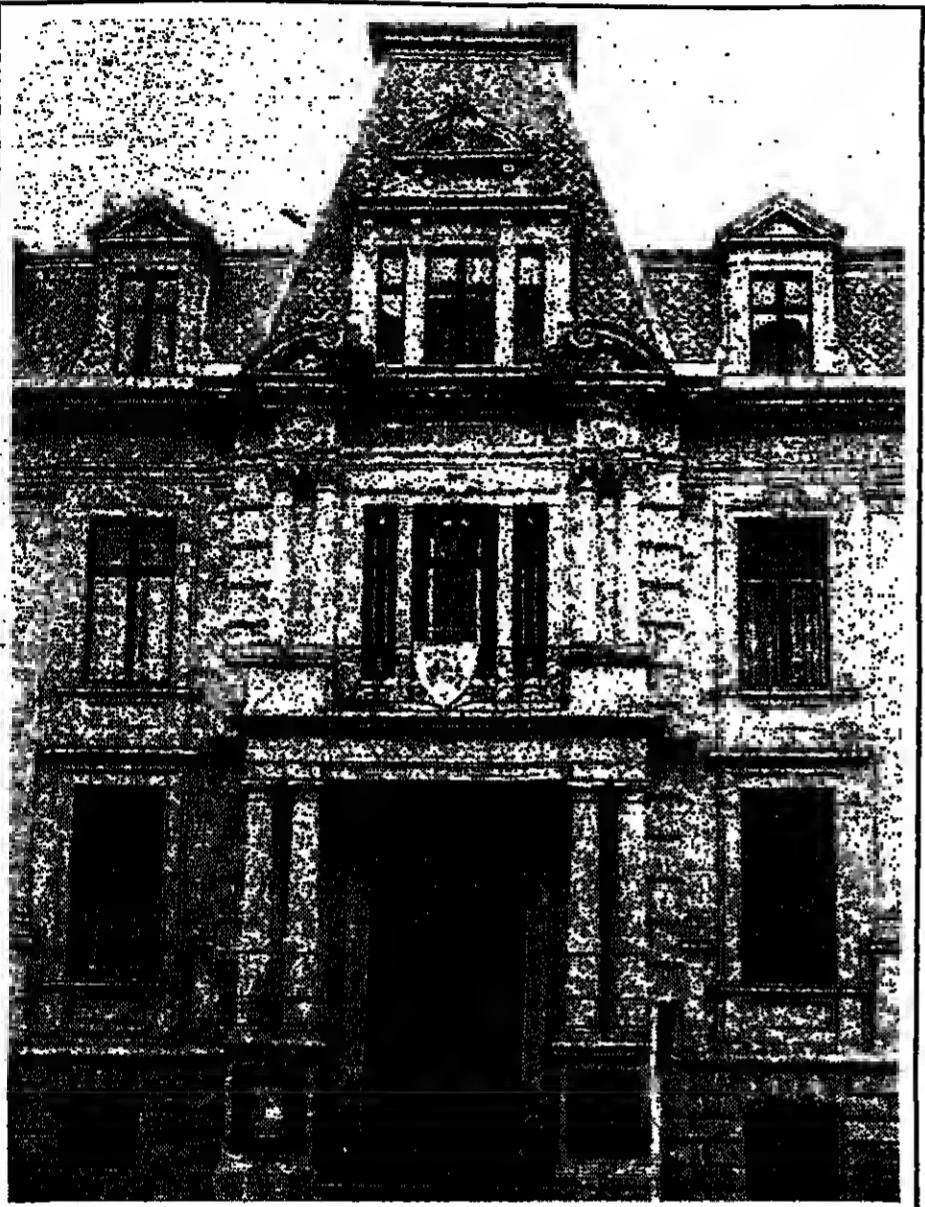
The growth of the Euro-markets slowed dramatically in 1979. The growth in 1977-1978 was 68 percent, but in the following year, the figure was 18 percent. The Eurobond market grew only slightly in 1980 after the 1979 record year, because of wildly fluctuating interest rates.

### Outpaced Market

Luxembourg's role has outpaced the growth of the market. The volume of business transacted in Luxembourg has shown an annual growth rate of 25 percent during the last years. Between 1973 and 1980, the share of Luxembourgian banks in total deposits received by banks dealing in the Euro-markets increased from 6.6 percent to 11.7 percent. For credits, the percentage is even higher — 12.7 percent. But, in line with world trends, the growth in new bond issues has slowed, although Luxembourg's contribution of \$18.2 billion represents 20.9 percent.

The reasons behind this dynamic growth explain in part why the expansion is slowing and why Luxembourg must struggle to keep what it has.

Commonly cited reasons for the attraction (Continued on Page 105)



SINCE 1856 — The Banque Internationale a Luxembourg has just celebrated the 125th anniversary of its founding. But it is only in the last two decades that it has made its presence felt on the international scene. See article inside.

## German Banks on Scene First, Set a Hot Pace

A MAJOR TREMOR passed through Luxembourg banking circles in January when the acting chief executive of the Commerzbank, Paul Lichtenberg, publicly questioned the value of the bank's Luxembourg subsidiary. He has since retracted his statement, claiming that he was misinterpreted, but the commotion that followed revealed that the question struck a chord among the West German banks.

The disastrous results of 1980 have led many banks to reconsider their policies. Now, after the all-out growth in the 1970s, diversification — not expansion — has become the aim.

The West German banks are important because they were the first and largest group of foreign banks to arrive in the Grand Duchy in force.

Twenty-nine now dominate the scene, handling a major share of the business. In terms of the balance sheet size, four West German banks lead the field: the Compagnie Luxembourgeoise de la Dresdner Bank, the Deutsche Bank Compagnie Financiere Luxembourgeoise, Commerzbank International and, well behind the other three, the Westdeutsche Landesbank International.

The Grand Duchy was the first foreign outlet when the German banks began belatedly to expand abroad after the war. Luxembourg was chosen to escape the minimum reserve requirements at home, and because it was close to home and language problems were minimal. "We created Luxembourg," a Frankfurt banker claimed, a bit brashly.

The Dresdner Bank was, in fact, the first German bank when it arrived in 1967. Within a few years, the others followed. Profits were high because the more liberal banking climate in Luxembourg requires only that a bank's equity must not fall below 3 percent of its lending. In Germany, the Kreditwesengesetz, the banking law, limits the credit volume of a bank to a factor of 18 times its basic capital and reserves. Because of the heavy German presence, Luxembourg has become the capital of the Deutsche mark bond, with more than 40 percent of the issues in DM bonds.

It was not surprising, therefore, that Mr. Lichtenberg's question achieved the publicity that it did. At the beginning of the year, the Landesbank Stuttgart had decided to move the bulk of its personnel to the London office, which had opened simultaneously with the one in Luxembourg. The decision by the small newcomer seemed another straw in the wind, but the move in fact reflected less a disillusionment with Luxembourg than a realization that the Landesbank had overstretched its resources. The Luxembourg office will therefore probably be reactivated in better times.

That there has been, and will be, some soul-searching among the German banks is undeni-

able, however. For West German parent banks, 1980 was marked by the worst performance since World War II — and the previous year's profits had been slim. The Commerzbank registered a 70-percent fall in group profits and won the dubious distinction of being the first bank in a generation not to pay its shareholders a dividend. The profits of WestLB fell from the 121 million DM of 1979 to 45 million DM.

Copied with the slump in profits is the prospect of the revision of the Kreditwesengesetz. Discussions are being held in Berlin and Frankfurt on the consolidation of overseas subsidiaries' accounts, which might lead to further reductions in the profitability of operations in Luxembourg and elsewhere abroad.

However dire some of these events may seem, the reality is less clear-cut. How the parent bank is managed need not directly affect the viability of its Luxembourg subsidiary because profits are also a question of accounting.

There are wide differences in the way each bank has been hit — or has jumped the events of the last 18 months. The Compagnie de la Dresdner Bank, for example, has produced profits of about 700 million Luxembourg francs, considerably less than the year before but hardly negligible. The Deutsche Bank

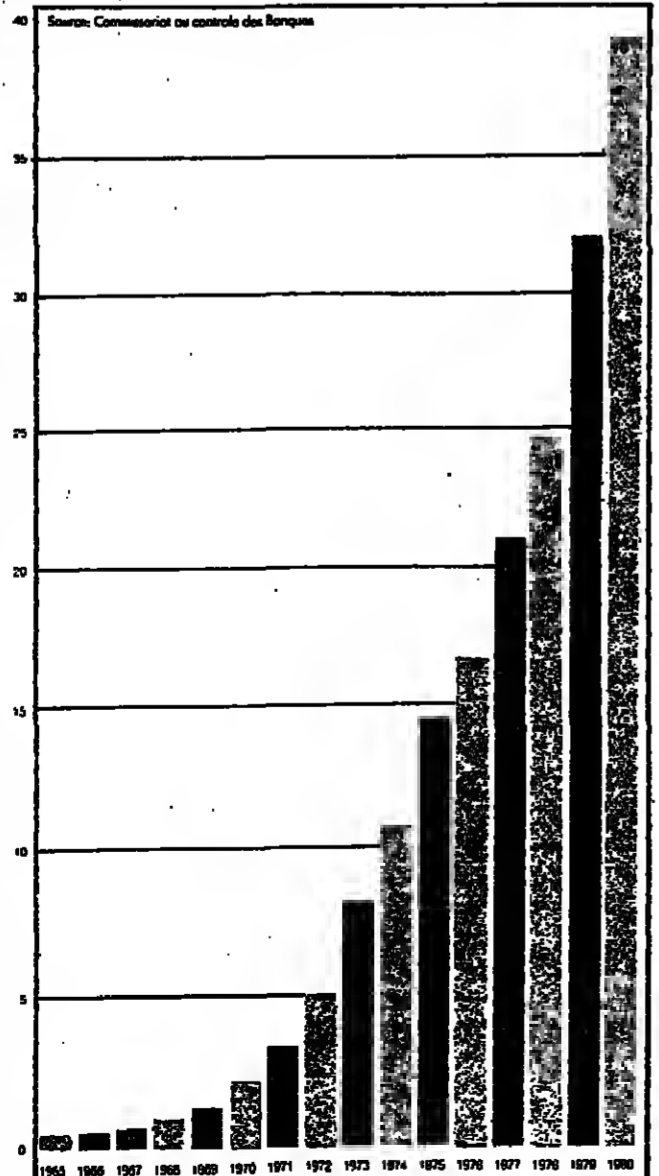
Compagnie Financiere Luxembourgeoise increased profits slightly from 550 million Luxembourg francs for 1979-1980, but produced none in 1980. For the same periods, the Westdeutsche Landesbank International's profits fell from 673 million to 587 million to 484 million Luxembourg francs, while its capital resources grew from 3.5 billion Luxembourg francs to 4.4 billion.

### Syndicated Lending

All the Luxembourg banks have been hit by the general decline in margins on syndicated lending, and the need to write down substantially their holding of bonds, given the sharp price declines of international fixed securities. While the U.S. dollar has strengthened, the DM has reacted more slowly because of the Bundesbank's tight monetary policies. Short-term interest rates for Deutsche marks have remained high, making it particularly expensive for the West German banks to hold bonds in that currency.

The Commerzbank has come under the heaviest fire, partly because it was the first bank to admit that it had wrongly assessed the interest rate development for the DM. For the Luxembourg subsidiary, which needed an in-

(Continued on Page 88)



STEADY GROWTH — Chart shows the increase in assets of the banks of Luxembourg since 1965. Figures at left are units of 100 billion Luxembourg francs.

## Nation's Size, Social Plans Buffer West's Economic Crisis

By Axel Krause

LUXEMBOURG is anything but isolated from the Western world's economic crisis. During the last twelve months, its economy has experienced stagnating output of goods and services, worsening unemployment and inflation, plus a widening budget deficit. Moreover, Western economic analysts are predicting that, like its European neighbors, Luxembourg can expect no relief until the end of next year at the earliest.

But mainly because of its small size, generous social programs, and the long-established and cozy relations between politicians, business and government leaders, outsiders rarely attach the same significance to Luxembourg's problems as they do to those of its neighbors, notably Belgium.

"Small is beautiful, so Luxembourg survives better than most," said a senior government analyst for an international agency who is a specialist on the Luxembourg economy. "As in a small town, everyone there knows each other — the government ministries also are in one building — so problems get resolved easily," he said, adding: "Belgium is a giant by comparison."

### OECD Statistics

Indeed, Luxembourg's \$4.2-billion gross domestic product is second from the bottom among the ranks of the 24-nation Organization for Economic Cooperation and Development. Iceland has the smallest GDP, and Ireland ranks third on the OECD list with a substantially larger total of \$14.8 billion. Measured on a per-capita basis, however, Luxembourg ranks well ahead of Japan and Britain, slightly

*A slowdown in industrial production is playing a key role in the overall decline. Meanwhile, farm output has remained flat. There are some bright spots — food, wood and furniture — and each has registered modest growth.*

ahead of the United States, the Netherlands and France, but below West Germany, according to the OECD.

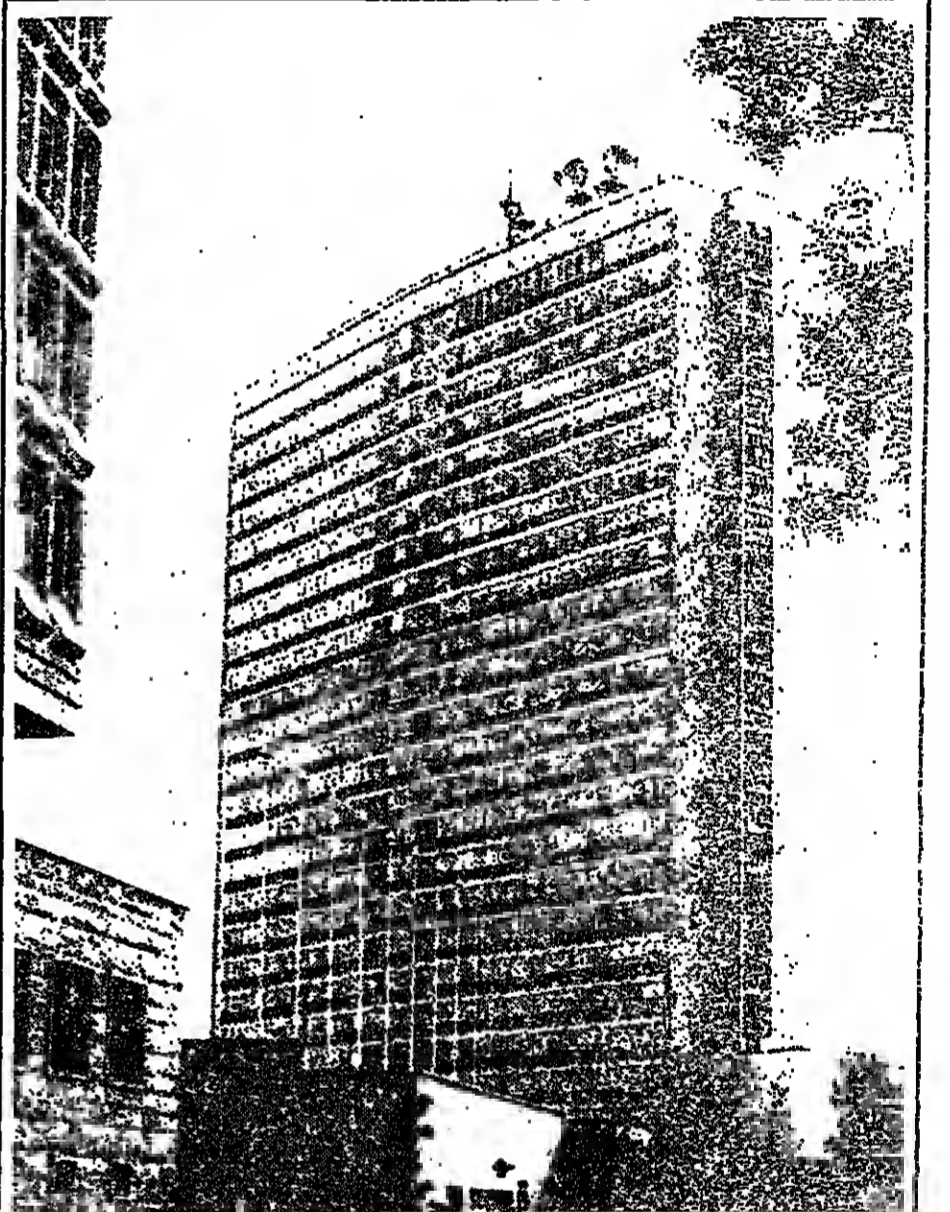
Luxembourg's immediate problem is coping with a decidedly gloomy outlook for world trade and steel output — both crucial for the nation's economy. Yet presently neither sector shows signs of recovering.

In its recently-published annual review of the Luxembourg economy, the OECD concluded that in 1981 the nation's GDP will "remain flat or even decline, especially in view of the expected trend of the steel market."

The GDP growth, which last year averaged 0.5 percent, will actually fall by that amount during 1981, according to government forecasts published by the OECD. This performance, paralleling similar recessionary conditions throughout Europe, follows growth rates of 3.6 percent in 1979 and 4.3 percent in 1978.

### Industrial Slowdown

A slowdown in industrial production is playing a key role in the overall decline — notably in steel, but production in the mining, gas, electricity and chemicals sectors also has been falling. Meanwhile, farm output has remained flat overall, and wine production has been undergoing what the OECD described as "a very steep decline." There are some bright



MEETING PLACE — Luxembourg, a jumble of ancient bridges, battlements and spires, draws thousands of tourists each year. It also houses the European Center, with a haremicycle and offices in a 22-story high-rise, above. See article inside.

"Considering the low inflation and unemployment; the fact that the Luxembourgian government offers generous social programs and benefits to the jobless and that there are no strikes in Luxembourg, it is clear that its problems are not terribly serious, compared to Belgium, for example," a senior government analyst in Paris said.

### Creating Jobs

This is not to say that Luxembourg lacks problems. For example, the government is still in the process of trying to attract new industry to the south of the country. The goal is to create 7,500 jobs in new industries to offset the reduction of workers in the steel sector, but the competition in the form of attractive investment from France and West Germany is "stiff," in the words of one observer.

Also, Luxembourg may soon have to face what the OECD described as a chronic deficit in its national budget. The 1981 budget allows for a deficit of 1.4 billion Luxembourg francs, which will be covered by drawing on the budget reserve and by increased borrowing.

Government projections published by the OECD indicate, however, that "in the medium term the Luxembourg economy may experience a chronic public finance deficit which will probably involve new finance procedures."

The OECD concluded that the government's budget reserve by 1981 — for which the government believes the "critical threshold" is 3 billion Luxembourg francs — will no longer be sufficient to cover the shortfall. "The new pressures are there and Luxembourg's challenge will be solving them in the presently difficult situation of Europe," a French government budget specialist said.

# Banking and Finance in LUXEMBOURG

## Germans, First on Scene, Set A Hot Pace for Other Banks

(Continued from Page 7S) Section of 63 million DM from the parent bank so as not to produce a negative result, it brought home the fact that it was an outlet for business that could not be done at home. It is artificial to separate the two accounts. The policy decisions are made in Frankfurt.

Although Mr. Lichtenberg suggested in January that it might be better to shift the business to London, as the Swiss Banking Corp. had done in 1978, this idea has been dropped. After all, the Luxembourg subsidiary is no fly-by-night affair and its viability is looked at on a long-term basis.

A drop of 12.4 billion Luxembourg francs from the previous year in the balance sheet total was accompanied at the Commerzbank by a change in policy. Holdings in securities and equity were cut, the former by 10 percent, and greater caution was used in loans to banks and companies. The emphasis is being placed on portfolio management for private customers, a large number of whom began taking advantage of a hush account. What counts for a Eurobank, however, is the credit volume and, despite the strong upswing in 1980, credit granted by the Commerzbank rose by a mere 6.3 percent.

Customer Credit

The shock becomes greater when one realizes that about 60 percent of new customer credit business in Luxembourg, between January and October, 1980, was due to loans of German subsidiaries to customers in West Germany. More than 50 percent of the balance sheet growth in Luxembourg was the result of these transactions.

Although the Commerzbank and others made mistakes in investing in long-term bonds and mismatching these with short-term loans, the pattern is very uneven. The private banks have done well in 1980, not only because they were more cautious and accepted fewer long-term bonds but because they compensated for reduced results with trading in foreign exchange and gold.

Volker Burghagen, the managing director of the Dresdner Bank in Luxembourg, attributes the comparative success of his bank's year to a greater flexibility allowed by his head office, which has, for instance, found expression in a more developed private clientele

business. And having 20 percent to 25 percent of the bank's liabilities in non-banking deposits also brings a measure of freedom. Recently, the loans syndication department has been transferred to Luxembourg from Frankfurt.

This policy has paid off. The bank now has the doubtful honor of being the largest single taxpayer in the Grand Duchy. It is fittingly housed in a splendid 18th-century house close to the Grand Ducal Palace. But Mr. Burghagen fears that the bank's presence may be eroded somewhat when the 1981 report is published, because although the worst is over, the poor business may show up only later.

Refinancing Resources

One policy adopted by the Dresdner may be copied by the other banks. "For the wealthy international investor, Luxembourg could become another Switzerland, particularly for someone who does not want to put all his eggs in one basket," Mr. Burghagen said.

For a bank, this has the enhanced attraction of enlarging the frame of refinancing resources. To date, with the exception of the Dresdner, non-banking deposits account for only between 1 percent and 4 percent of the liabilities of most of the German banks. The change would take time and a substantial increase in personnel. For the Landesbanks, this would indeed be difficult without either the branch network or the right sort of clientele.

It is the banks' heightened risk-consciousness that has affected the Landesbanks more than anything else. WestLB continues to place emphasis on lending, and out of a balance sheet total of 139.5 billion Luxembourg francs, lending accounted for 110.6 billion.

The crisis over Poland's debt has hunted the desire to lend to anyone outside the members of the Organization for Economic Cooperation and Development. More than two-thirds of WestLB's total loan portfolio went to Western industrialized countries. But two of the directors, Wolfgang Spehr and Horst Seuff, commented, "We now more than often say no than yes to those asking for international credit. We have little interest in drumming up new business but prefer to consolidate our existing circle of clients."

The concentration of lending to European countries is likely to

## Stock Market Showing Vigor

THE LUXEMBOURG stock exchange is tucked away off a busy shopping street in the old part of the town. The office block that houses it is clearly younger than the stock exchange itself, which was founded in 1927 and opened somewhat unfortunately in 1929. Business boomed for only a few months until the Wall Street crash ended any hopes of quick development. And then came the war.

Business really took off in the early 1960s when the Euromarket came to life. Until 1974, it was the only stock market where the Eurobonds could be listed and cornered 99 percent of the market. Then the London stock exchange updated its rules and has managed to get almost one-third of the market. Despite this competition, the Bourse continues to play an important part in ensuring Luxembourg's key role as a financial center.

It is, however, a curiously Luxembourgian entity. It was founded as a private company — although it is a monopoly granted by the state — with the intention of listing the bonds of a few local companies wishing to raise finance.

But the founders were farsighted — the Bourse can easily adapt its structure to suit market needs by a decision of the directors that has only to be approved by the finance minister. Not only could the holders of shares and bonds issued by Luxembourg companies sell their securities there, but the law that in 1927 created the stock exchange made it attractive for foreign investors as well. The Bourse was granted freedom from turnover tax and stamp duty, and its legal situation was defined by a few vague laws.

The law of 1929 abolished withholding taxes on fixed-interest securities, so withholding companies could then be set up to issue bonds for foreign companies, which are then listed on the Luxembourg stock exchange. Equally important, the stock exchange allows quotations to be listed in the currency of issue. In the early 1960s, the first international bonds listed were issued in European units of account, and Luxembourg was the only place this could be done.

Luxembourg now owes its attractiveness as an international listing center to the low listing fees, the unbureaucratic procedures for admission and the lack of withholding tax. But an overwhelming majority of the bonds listed are issued by companies registered in the Netherlands Antilles (and at the same address there), where it is even cheaper to set up holding companies.

The stock exchange's manager, Charles Ewert, said that the advantages of listing on the Bourse stem from the low number of administrative staff members (20) and the free "brain trust" that guides it — the commission that meets twice a month, ensuring that the market is working properly with prices and quotations appropriately fixed, that the new bonds are carefully checked and that disputes are settled. The commission consists of 11 members nominated from among Luxembourg's leading bankers by the board of directors; they are not paid for this work.

Although the Bourse is a private company, the financial control rests with the government, which nominates the commissioner. The Bourse itself, however, is a banker's exchange — the bankers act as brokers but most of the trading is carried on outside the confines of the Bourse.

Since 1974, the number of securities listed has doubled to 1,250. "We would never have been able to handle all the business alone [that is, if a great deal did not go through London]," Mr. Ewert said, adding that Luxembourg must continue to adjust to changes and develop new business. For example, gold trading was opened in March. "After three months we have even peaked at half the volume handled in the London market," Mr. Ewert said.

The annual report for 1980 shows that, despite an erratic year, the volume of home transactions increased by 25 percent and foreign dealing rose by more than 60 percent. New admissions numbered 171, of which 116 were in U.S. dollars.

— JASPER BECKER

## American Banks Reduce Presence

SOME OF THE leading names in U.S. banking are to be found on Luxembourg's Boulevard Royal. But their contribution to business is, by any standard, disappointing.

The arrival or departure each year of one or another of the banks reflects the half-heartedness with which New York regards their presence here. The U.S. banks were one of the first groups of foreign banks to arrive in the Grand Duchy, and their numbers rose to 16 in 1973; there are only nine now. Despite this drift away from the Grand Duchy, Manufacturers Hanover Trust set up a branch almost a year ago.

The U.S. banks came because at the end of the 1960s it looked as though Luxembourg and not London would become the center of the Eurodollar market. The banks that stayed have found niches in the finance market in Luxembourg that are not always large but nearly always justifiably profitable. The Chase Manhattan Bank Luxembourg, the American Fletcher National Bank and the Bank of Boston have all in turn been forced to reconsider their presence but so far have decided to stay.

ent business allows local banks without an office in New York to use Citibank's office for dollar transactions.

Correspondent banking is important for the Philadelphia National Bank, but the Bank of Boston has also managed to make a living out of private banking.

Generally, however, the U.S. banks keep up a presence in Luxembourg less because of its attractions compared to other sites than because of the banks' global strategy.

"The principal reasons for us coming here at this rather late date," said Rainer Gebhardt, the managing director of Manufacturers Hanover Bank Luxembourg, "is that we had different priorities to fulfill before considering Luxembourg. We first thought of it six to eight years ago, along with other international banks. But we first

The total rose to 16 in 1973 — and now only nine remain.

will differentiate between foreign and domestic assets. But, in the meantime, the pessimists are pretending that the ratio of 18 is already being applied.

Smaller Banks

In the long term, therefore, the impact will surely be on some of the smaller German banks who have subsidiaries in the Grand Duchy. With smaller capital resources and generally declining profitability compared to the boom years of the 1970s, a few might prefer to leave for other offshore banking centers where taxes are easier.

A certain amount of pressure is being exerted on the Luxembourg authorities to improve the general climate. The new secrecy law, the abolition of stamp duty on certificates of deposit, and the opening of the gold market are indications that the point has been taken. Is it enough? Mr. Burghagen thinks

that the Luxembourgers missed their chance about two or three years ago when they might have reduced the tax burden on banks.

The competition from other offshore banking centers is heating up and, despite their distance from West Germany, they are becoming a serious threat. To reduce the taxation on banks would now be political suicide, with the steel industry in poor shape and the second pillar of the Luxembourg economy, Radio-Television Luxembourg, undertaking a major investment in a new satellite. One possibility being seriously examined by the Dresdner Bank is to arrange and manage the loans in Luxembourg, but to register the volume in Singapore.

Taxes in Singapore are 40 percent below Luxembourg rates, and some banks are starting to book new business in the Far East. Of course, a major loan cannot easily

be transported or refinanced in Singapore at the moment. It is possible, however, especially for the large commercial banks that already have established offices there. Profitable as this would be for the banks themselves, it would be a blow to the finances of the Grand Duchy.

For the moment, the West German banks are getting accustomed to the idea that they will be saddled with low-yielding portfolios for a long time and that the decline in the margins on syndicated lending is unlikely to be reversed. Attention is being concentrated on winning private business away from the Swiss as fee income appears to offer the greatest growth prospects. There are also strong hopes that the West German economy will pull out of its recession as the year draws to a close.

— JASPER BECKER

Citibank (Luxembourg) was set up in 1972 and, like some of the others, made the mistake of offering too wide a range of services. "We quickly concluded that we had to specialize," said Gerard Fievet, its director. "Now everything we do is related to the Eurobond business. The handling of private accounts, et cetera, was dropped." With an unchanged staff of 14, Citibank managed to make profits of \$1.2 million in 1980, mainly by acting as a paying agency, collecting coupons and in general being used as a depository bank for the London and New York offices.

Correspondent Banking

Like most of the U.S. banks, Citibank carries out no treasury operations in Luxembourg. "We never thought it was justified. This can be done better in London or Brussels," Mr. Fievet said. "But since Luxembourg is the second-largest center for Eurobonds after London, we have to be here."

Mr. Fievet sees in Luxembourg a potentially profitable business in correspondent banking, and plans to step up contacts with the 111 other banks to drum up more of this business. This commission-or-

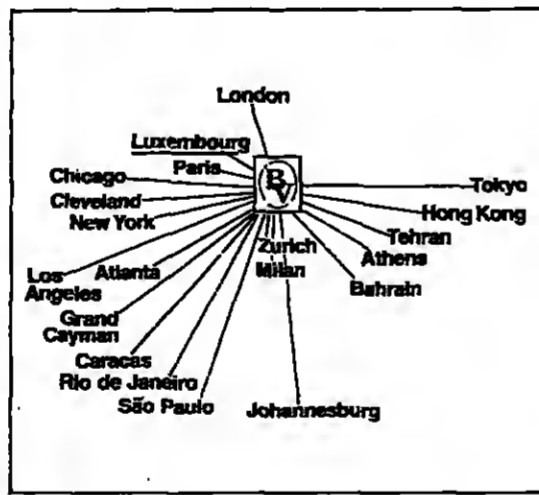
established ourselves in important commercial as well as financial centers like Milan, Bahrain, Hong Kong and Singapore. When this network had been completed, we again gave Luxembourg serious consideration."

Manufacturers Hanover's ambitions are for the moment concentrated on the correspondent banking sector. "We feel that we should show solidarity with those banks which have made a go of it here. With our global orientation and strength, we felt it was proper that we broaden our relationship with those here," Mr. Gebhardt said.

The bank has chosen a cautious approach, starting with a staff of 10. The offices have room to accommodate as many as 30, however. "We want to explore asset management further but it takes time to assemble the clientele, since we do not want to compete with our offices elsewhere in Europe. We have also taken an active role in the interbank deposit market, particularly in relation to our size, in order to demonstrate that we are available for business," Mr. Gebhardt said. The bank has also done some short-term deposit dealing and normal Euro-lending.

— JASPER BECKER

## BVI - 10 years of activities in international financing

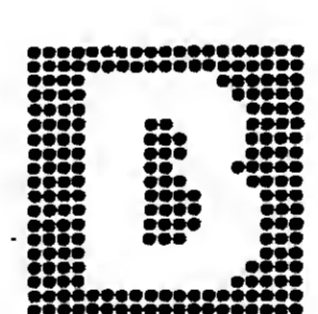


1971 - 1981 Ten years in Luxembourg  
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40, Moorgate, London EC2R 6EL  
Telephone (01) 628 9066  
Telex 889 196 bvlg

**Bayerische Vereinsbank Head Office, International Division**  
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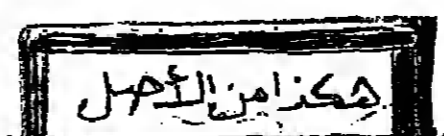
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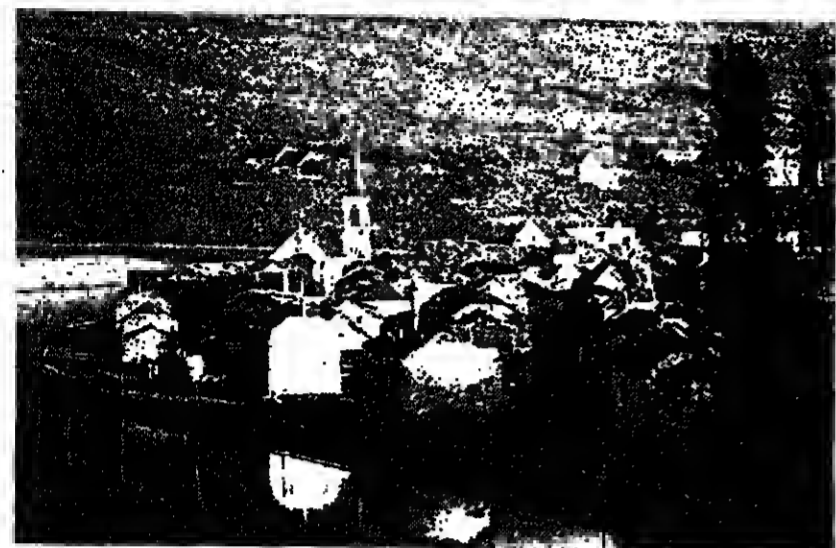
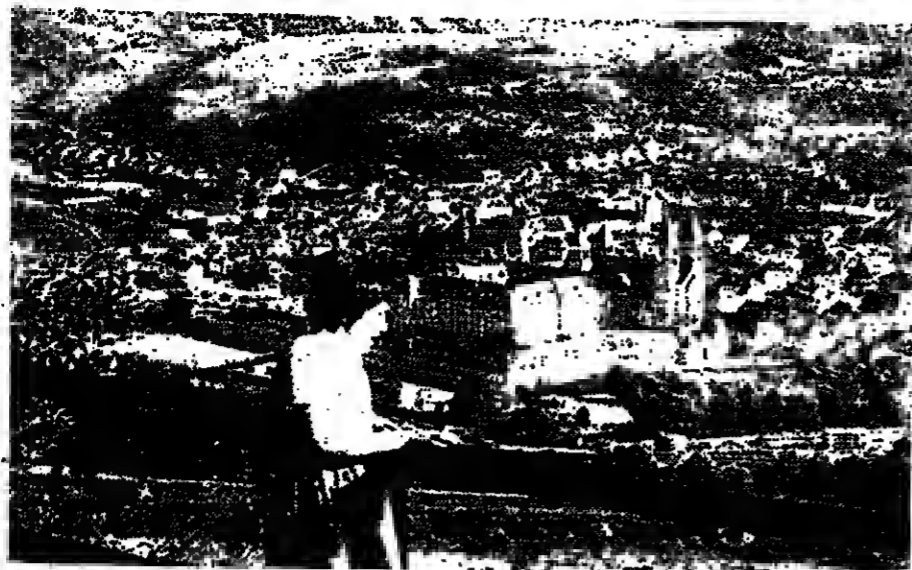






TIME OFF

Clockwise, from right: A young hiker stops at a site overlooking Echternach; the Echternach Basilica; the Sure winds through Esch in the Luxembourg Ardennes; and vineyards form backdrop for Machstum on the Moselle.



Seeing Sights Is No Problem: They're All Nearby

THE GRAND Duchy of Luxembourg, with its 1,000-square-mile area, is like one of those small museums that may not have an extensive collection of anything but have quite a few nice paintings, and you leave satisfied that you saw the whole thing without being exhausted.

By car, bus, train or a combination, the country can be seen in a leisurely weekend. On foot, of course, it would take longer but the country does claim to be the densest in the world in walking paths and hiking trails.

By car, bus, train, or a combination, the country can be seen in a leisurely weekend. And it claims to be the world's densest in walking paths and hiking trails.

Some hotels in the area own river rights but the Luxembourg fishing regulations are complicated, and advance information from the Administration of Water and Forests (P.O. Box 411 Luxembourg) is helpful.

Monetary Role Is Expanding

IT MAY BE merely symbolic but the renouveau of the Belgian-Luxembourgian economic union (UEBL) has given the junior partner the right to alter the parity of the Luxembourg franc with the Belgian franc and to take part in the decisions of the Belgian central bank.

The change will be embodied in the creation of a financial body in Luxembourg with many of the characteristics of a central bank. Called the Institut Monétaire Luxembourgais, it will gather under one roof functions presently carried out by the Finance Ministry, the Banking Control Commission, the statistical office and the Caisse d'Epargne.

The government hopes to pass the legislation setting up the Institut next year. A Banking Commission official, Paul Zimmer, said, "It will not dramatically change our position. The Institut will chiefly supervise the domestic situation and act as an intermediary between the Luxembourg banks and the Belgium central bank."

A new institution will centralize a number of monetary functions and permit the nation to play an active part in the EMS and the IMF.

is that the Institut will be able to take part in meetings of the European Monetary System and the International Monetary Fund instead of being there with observer status. The UEBL has now been renegotiated for the second time. But it has been such a success that it is not too fanciful to say that it has served as a model for European integration.

MEETING POINT LUXEMBOURG

Visit the Grand-Duchy of Luxembourg. Come for a weekend or for a longer stay. Fly to Luxembourg with Luxair, the national airline. For Luxair connects Luxembourg with the main European air-traffic centres. Several times a day.

Table with flight routes: Daily (Frankfurt, Paris, London, Amsterdam) and Weekly (Palma, Rome, Nice, Athens).



This announcement appears as a matter of record only.



QUIMICA DE PORTUGAL

US \$ 50,000,000 Medium-Term Loan

Managed by

- Banco Totta & Açores Kredietbank International Group
Crédit Commercial de France The Long-Term Credit Bank of Japan, Limited
National Westminster Bank Group

Co-managed by

- Banco de Bilbao, S.A. Banco Espirito Santo e Comercial de Lisboa (London Branch)
The Hokkaido Takushoku Bank, Limited Manufacturers Hanover Banque Nordique

Funds provided by

- Banco Totta & Açores, London Branch Crédit Commercial de France International Westminster Bank Limited
Kredietbank S.A. Luxembourgaise The Long-Term Credit Bank of Japan, Limited
Banco de Bilbao, S.A. Banco Espirito Santo e Comercial de Lisboa (London Branch)
The Hokkaido Takushoku Bank, Limited Manufacturers Hanover Banque Nordique
Banque Française du Commerce Extérieur Bank of New South Wales
Crédit du Nord Instituto Emissor de Macau International Commercial Bank Limited
Banque Veuve Morin-Pons Christiania Bank Luxembourg S.A.
Genossenschaftliche Zentralbank AG, Vienna Union Bank of Norway Ltd.

Agent

Kredietbank S.A. Luxembourgaise



March 31, 1981

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GABINETE DA ÁREA DE SINES

Agency of the Republic of Portugal

US \$ 75,000,000 Loan Facility

Managed by

- Kredietbank International Group
Banca del Gottardo The Bank of Tokyo, Ltd.
Christiania Bank og Kreditkasse Crédit Agricole
Landesbank Stuttgart International

Co-managed by

- Banco Espirito Santo e Comercial de Lisboa (London Branch)
Banco Português do Atlântico, Succursale France
Banco Totta & Açores Banque Continentale du Luxembourg S.A.
Banque de la Société Financière Européenne - SFE Group Orion Bank Limited
Standard Chartered Bank Limited The Taiyo Kobe Bank (Luxembourg) S.A.

Funds provided by

- Associated Japanese Bank (International) Limited Australia-Japan International Finance Limited
Banca del Gottardo Banco Espirito Santo e Comercial de Lisboa (London Branch)
Banco Nacional Ultramarino Banco Português do Atlântico, Succursale France Banco Totta & Açores - London Branch
Banco de Vizcaya Bank Mees & Hope NV The Bank of Tokyo, Ltd. Banque Continentale du Luxembourg S.A.
Banque Européenne de Tokyo Christiania Bank og Kreditkasse The Commercial Banking Company of Sydney Limited
Crédit Agricole Crédit Industriel et Commercial East-West United Bank S.A. Kredietbank S.A. Luxembourgaise
Kuwait Pacific Finance Company Limited Landesbank Stuttgart International
The National Bank of Australasia Limited Orion Bank Limited SFE Banking Corporation Limited - SFE Group
Skandinaviska Enskilda Banken (Luxembourg) S.A. Standard Chartered Bank Limited
The Taiyo Kobe Bank (Luxembourg) S.A. Union Méditerranéenne de Banques Williams & Glyn's Bank Limited

Agent

Kredietbank S.A. Luxembourgaise



May 1981









# Growth of Euromarkets Is Lifting BIL Out of Its Provincial Limitations

IT HAS TAKEN a while for the Banque Internationale Luxembourgeoise (BIL) to live up to its name. The bank has just celebrated its 125th birthday, but it is only in the last 20 years or so that it has managed to be active internationally.

The advent of the Euromarket has lifted the BIL and other domestic banks out of the provincial restriction that Luxembourg's size forced upon them.

In 1856, the BIL was launched with an initial capital that was 50 times greater than the country's business could possibly need. Permission to establish the bank was granted by a grand ducal decree. With the decree went the right to issue its own money, which the BIL still does, sharing the privilege with the Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg, also founded in 1856.

Tradition is a fine thing, but what has made both these banks stand out is their ability to match the opportunities offered by Luxembourg's new role as an international financial center. The Caisse d'Epargne holds fifth place in balance sheet size, and the BIL is seventh among the 112 banks in Luxembourg — a not insignificant achievement in view of the number of banks competing for the domestic business.

**Economic Union**

It is difficult to define what counts for a domestic bank. Only the BIL, the Caisse d'Epargne and the Banque Generale du Luxembourg have an extensive network of branches in the Grand Duchy. The economic union with Belgium does mean that the Belgian banks regard Luxembourg almost as their home territory.

The Banque Bruxelles Lambert, for instance, has a 40-percent share in BIL, although the BIL justifiably considers itself to be an independent Luxembourg bank. Two of the most powerful Belgian banks, Societe Generale de Banque and Kredietbank, founded major subsidiaries in Luxembourg, which are now fully independent and regard themselves as Luxembourg banks, too. The Kredietbank Luxembourg was founded in 1949 before the Euromarket sprang up.

and the Banque Generale du Luxembourg set up by the Societe Generale de Banque, predates even the 1922 economic union with Belgium. They rank 12th and ninth, respectively, in total balance sheet size.

There are 12 Belgian or Luxembourgian banks, and the three largest have a total of 178 branches between them serving a country with a population of 360,000, so it can probably be said that the Luxembourgians are not underbanked. But the stimulus that the Euromarket has given the domestic banks has encouraged them to expand abroad. The BIL has opened representative offices in New York and Singapore to attract some international business in Southeast Asia and North America. The Banque Generale has representative offices in Milan, Mexico City and Hong Kong.

With a few exceptions, the domestic banks are universal banks taking full part in the Euromarket business, and so are indistinguishable from the foreign banks. The Caisse d'Epargne, a sort of embryonic central bank (the central bank went bankrupt more than 100 years ago), is a tough competitor on the domestic front.

Because it can take advantage of a state guarantee for savings deposits, it can lend at a much cheaper rate than the BIL or the Banque Generale. While the commercial rate in Belgium has fluctuated around 16 percent, the Caisse d'Epargne has been able to offer 8 percent or 9 percent. This state of events, together with the Caisse d'Epargne's other fiscal and legal advantages, led to such an outcry that a few weeks ago the government finally decided to put matters right, by making the Caisse follow the commercial interest rate.

The risk capital needs of the Luxembourgians are now also covered by the Societe Nationale de Credit et d'Investissement (SNCI).

The SNCI was set up in 1977 to finance improvements in the structure of the Luxembourg economy. Capital is now readily available for modernization, diversification, export financing and new ventures. Last year, the investment bank benefited from a second global



Albert Dondelinger

satellite, which over 10 years could cost 10 billion Luxembourg francs.

The government is proposing to increase its revenues with a special increase in unemployment insurance contributions in order to pay for ARBED, which, although better off than some European steel-makers, is having problems. Steel exports have dropped 4 percent in volume and prices have remained low. ARBEI plans to invest 4 billion Luxembourg francs a year until 1983.

Although 1981 will probably be as bad a year for the Luxembourg economy as 1980 was, the domestic banks have been doing well. Like all the banks, they have been hit by the low spreads and the need to make provisions for the drop in the value of their long-term bonds.

Loans by Luxembourg banks increased by 34.6 percent between 1979 and 1980, from 918 billion Luxembourg francs to 1,236 trillion. The domestic banks contributed to this increase. The BIL managed 10 Euroloans and took part in 154 others, and the Banque Continentale du Luxembourg increased its loan volume by 7,794 billion Luxembourg francs to 29,917 billion. Even the Caisse d'Epargne kept its end up by managing 10 syndicated loans.

Balance sheet growth has also been maintained. The Banque Generale du Luxembourg increased its balance sheet total by 31 percent from 93 billion Luxembourg francs to 123 billion. Profits have risen from 224 million Luxembourg francs to 247 million.

**Savings Bank Funds**

There has been a considerable drop in savings bank funds. Deposits at the BIL, Banque Generale and Caisse d'Epargne dropped 10 percent between 1979 and 1980 to 48 billion Luxembourg francs, and the domestic investors have shifted in a large way to one-month deposits.

The big domestic borrowers apart from the state are ARBED, the giant steel company, and RTL, Radio-Television Luxembourg. The state budget deficit reached a record 1.4 billion Luxembourg francs in a country that is used to budget surpluses. The 1981 budget provided for spending about 52 billion Luxembourg francs, up 13 percent from the year before because of the need for more industrial investment. RTL is now deciding whether to invest in a direct

investment abroad has been built on the chances offered by the establishment of a large part of the Euromarket in Luxembourg. The BIL now must consolidate these gains and try to achieve a significance outside Luxembourg.

This new assertive spirit was reflected when Luxembourg renegotiated the economic union with Belgium. The Luxembourgians gained the right to make the Luxembourg franc independent from the Belgian franc. The perennial threat of a devaluation of the Belgian franc has convinced the Luxembourgians that they ought to have the option of floating the Luxembourg franc by itself, or of linking it with another currency such as the Deutsche mark.

Another indication of the confidence that financial leaders are showing in their country's role in the banking world is the plans to establish the Institut Monetaire

Luxembourgise. This is being pushed by the secretary of state for finance, Ernest Muhlen, for a number of reasons. It would tidy up the administration of finance by placing the Treasury, the Finance Ministry, the Banking Commission and certain parts of the state savings bank (Caisse d'Epargne de l'Etat) under one roof.

Critics see dangers, however. Without a central bank, as it is now, Luxembourg cannot take part as a full member in the International Monetary Fund or other forums where central bankers meet. Although it is useful to join in decisions made there, critics say Luxembourg may be trying to be more than an offshore banking center — an offshore center cannot function with a central bank seeking to control the lending and borrowing of commercial banks.

— JASPER BECKER

### LUXEMBOURG

#### THE LAND

Area (sq. km) ..... 2,586  
 Agriculture area, 1979 (sq. km) ..... 1,304  
 Woodland, 1979 (sq. km) ..... 820  
 Major city, inhabitants  
 Luxembourg (October 1978) ..... 79,600

#### THE PEOPLE

Population (Jan. 1, 1980) ..... 363,700  
 Number of inhabitants per sq. km ..... 141  
 Population, net natural increase per 1,000 inhabitants in 1979 ..... 0.0  
 Net migration in 1979 ..... 1,400  
 Total employment (1979, thousands) ..... 158.2  
 Agriculture ..... 9.3  
 Industry ..... 61.5  
 Services ..... 87.5  
 Dependent employees ..... 135.6  
 Employers, self-employed persons and domestic help ..... 22.6

#### PRODUCTION

Gross domestic product (1979)  
 billions of francs ..... 121.1  
 Gross domestic product  
 per head, US\$ (1979) ..... 9,762

Gross fixed investments:  
 Percent of GDP (1979) ..... 26.6  
 Per head, US\$ (1979) ..... 2,592

Gross domestic product by origin,  
 at market prices (1978):

Agriculture	Percent
Energy	3.2
Manufacturing	2.4
Construction	30.7
Other	9.8
Other	53.9

#### THE GOVERNMENT

Public consumption (1979), percent of GDP ..... 15.6  
 Current government revenue (general government 1979) percent of GDP ..... 56.5  
 Central government debt (Dec. 31, 1979) billion francs ..... 24.6

Composition of the Chambers:

Christian Social Party	Percent
Democratic party	40.7
Workers Socialist Party	25.4
Communist Party	23.7
Social Democratic Party	3.4
Others	3.4

Source: OECD (March 1981)

The increase from depositors other than banks has been one of the chief surprises of the last year. Private customers placed 35 percent more than in 1979-1980. The new secrecy law governing banks has helped, but the French and the Belgians have always had a tradition of using Luxembourg as a tax haven. Nevertheless, Luxembourg has still to gain the reputation of Switzerland and its clientele.

The BIL's managing director, Albert Dondelinger, said, "What is clear is that the boom years of the '70s, with their very high profits, will never come again. Margins will remain low and risks high. In the years to come, profitability is sure to be lower but still good. We have had to make reserves for normal banking risks and during the good years I think we have made enough."

**Significant Changes**

The more cautious approach that the BIL is recommending comes after the bank has itself been the mover behind a number of significant changes among the domestic banks. It was given a major impetus in 1977 when it merged with the Luxembourg subsidiary of Banque Bruxelles Lambert. It has also become a major shareholder in the Banque Continentale du Luxembourg (60 percent), the Banque Nationale de Paris (40 percent), the Caisse Hypothecaire (96 percent) and Precilux (50 percent).

This success in gaining recogni-

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**Landesbank Rheinland-Pfalz und Saar  
International S.A. Luxembourg**

6, rue de l'Anseien Athénée, P.O. Box 84, L-1144 Luxembourg. Telephone: 475821-1, Telephone Foreign Exchange: 475481, Telephone Securities: 470813, Telex: 1835 rpslu, Telex Foreign Exchange: 1836 rpsfxu, Telex Securities: 1850 rpsbu, Telegrams: rhensaarlux

## DEVELOPMENT OF OUR BUSINESS ACTIVITIES IN 1980.

The steady growth of our Euromarket transactions manifests itself in the increased balance sheet total which was raised to DM 4.015 millions in 1980.

In order to be able to enhance our operations we increased our capital stock by DM 18,5 to 68,0 millions at the end of 1980. This brought our total capital funds to DM 174 millions.

On January 1st, 1981 NORD/LB Norddeutsche Landesbank Luxembourg S.A. — a 100-percent subsidiary of NORD/LB Hannover/Braunschweig, adjusted its name to that of its parent company.

1980		1979	
4.015 Mio. DM	Balance sheet total	3.524 Mio. DM	
1.757 Mio. DM	Volume of credit	1.137 Mio. DM	
1.957 Mio. DM	Due from banks	2.067 Mio. DM	
146 Mio. DM	Securities	214 Mio. DM	
3.704 Mio. DM	Deposits	3.264 Mio. DM	
174 Mio. DM	Capital funds	127 Mio. DM	

NORD/LB  
Norddeutsche  
Landesbank  
Luxembourg S.A.  
29, Avenue Monterey  
B. P. no 121  
L-2163 Luxembourg

Telephone  
472391-1 General  
Service  
470801-07 Arbitrage  
29241-44 Securities  
47239157 Telekopierer  
KALLE 6000

Telex  
2866 NORD/LB General  
Service  
2263 NORD/LB Dealing  
2889 NORD/LB Credit Dept.  
Commercial register  
Luxembourg N° B 10-015

## NORD/LB

NORDDEUTSCHE LANDESBANK  
LUXEMBOURG S.A.





NYSE Nationwide Trading Closing Prices June 23

Table of NYSE Nationwide Trading Closing Prices for June 23, 1981. Includes columns for stock symbols, prices, and volume.

Portugal Lowers Economic Sights 4 Producers To Maintain Oil Prices

by Richard Wallis
LISBON — Six months after coming to power preceding an economic miracle, the Portuguese government has scaled down its economic targets for the year, putting the blame mostly on the world recession.

Bank of England to Abolish Reserve Law

By George Short
LONDON — The Bank of England Tuesday announced what it called a further step in the evolution of tactics aimed at controlling the growth of the money supply, which the government sees as the key to curbing inflation.

INTERNATIONAL BUSINESS OPPORTUNITIES
AGRICULTURAL & VETERINARY PRODUCTS
AMPROL\* 20% (ampicillin, MSD)
THERAPOGEN (ampicillin & ampicillin MSD)
FRANCOPHONE
Attn: CLAUDINE SERRE

Toronto Stocks
Closing Prices, June 22, 1981
1980 Can Oil 52 1/2
1980 Can Pot 51 1/2
1980 Can Pot 51 1/2
1980 Can Pot 51 1/2

Montreal Stocks
Closing Prices, June 22, 1981
225 Bank Mont 100
225 Bank Mont 100
225 Bank Mont 100
225 Bank Mont 100

Company Reports
United States
General Tire & Rubber
Revenue: 458.20
Profit: 22.67
Per Share: 0.93

Transportation/Markets
Louisiana, right in the middle of the growing Sunbelt, combines maximum flexibility of domestic rail, road and air facilities with 5,000 miles of interstate waterways connected to 19,000 miles of the Mississippi River system and three world ports.

BETTER THAN GOLD
Studio, apartment, duplex
10,000 S.F. initial deposit. Large mortgages of 6 1/2% interest p.a.

European Gold Markets
June 23, 1981
London 445.00
Paris 445.00
Zurich 445.00

European Stock Markets
June 23, 1981
Amsterdam
K.A.L. 194.00
K.P.M. 194.00
K.L.M. 194.00

Work Force
Louisiana has 1.5 million hardworking people, younger and considerably more productive than the national average, and all working under a strong right-to-work law.

Shares of Common Stock
(par value \$0-50 each)
Authorized 15,000,000
Issued and Reserved for resale 6,648,222

Blackie's House of Beer
When in Washington, D.C. meet me at Blackie's House of Beer

European Stock Markets
June 23, 1981
London
Aldi 110.00
Asda 110.00
B&M 110.00

CLOSE-OUT BUYERS RUBBERMAID
Household Products
\$2,161,160.00
Retail Inventory
70% OFF
Sold in One Lot
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Financial Corporation of America is a financial services and asset management company conducting its business primarily through a savings and loan association in California and a commercial finance company.

URQUILLO INTERNATIONAL N.V.
U.S. \$25,000,000 Guaranteed Floating Rate Notes Due 1981
For the six months ending 23rd June, 1981 the Notes will carry an interest rate of 18 1/2% per annum

European Stock Markets
June 23, 1981
Frankfurt
A.E.G. 110.00
Aldi 110.00
Asda 110.00

AMEX Nationwide Trading Closing Prices June 23

Tables include the nationwide prices up to the closing on Wall Street.

Main table of AMEX Nationwide Trading Closing Prices for June 23, listing various stocks and their prices.

U.S. COMMODITY PRICES

Table of U.S. Commodity Prices including Chicago Futures, Soybean Meal, and various agricultural products.

Market Summary

NYSE Most Active

Table of NYSE Most Active stocks.

Dow Jones Averages

Table of Dow Jones Averages.

Dow Jones Bond Averages

Table of Dow Jones Bond Averages.

Standard & Poors

Table of Standard & Poors indices.

NYSE Index

Table of NYSE Index.

Odd-Lot Trading in N.Y.

Table of Odd-Lot Trading in N.Y.

American Most Actives

Table of American Most Actives.

AMEX Index

Table of AMEX Index.

Tokyo Exchange

Table of Tokyo Exchange.

Paris Commodities

Table of Paris Commodities.

London Metals Market

Table of London Metals Market.

London Commodities

Table of London Commodities.

International Monetary Market

Table of International Monetary Market.

Cash Prices

Table of Cash Prices.

Commodity Indexes

Table of Commodity Indexes.

Floating Rate Notes

Table of Floating Rate Notes.

Banks

Table of Banks.

Non Banks

Table of Non Banks.

Selected Over-the-Counter

Table of Selected Over-the-Counter.

Dividends

Table of Dividends.

Tuesday's New Highs and Lows

Table of Tuesday's New Highs and Lows.

Advertisement for HEBE DORSEY, International Herald Tribune, featuring the text 'FOLLOW FASHION WITH HEBE DORSEY'.

New York Futures

Table of New York Futures.

COFFEE

Table of COFFEE prices.

SUGAR

Table of SUGAR prices.

NEATING OIL

Table of NEATING OIL prices.

PLATINUM

Table of PLATINUM prices.

SILVER

Table of SILVER prices.

GOLD

Table of GOLD prices.

STOCKS

Table of STOCKS prices.

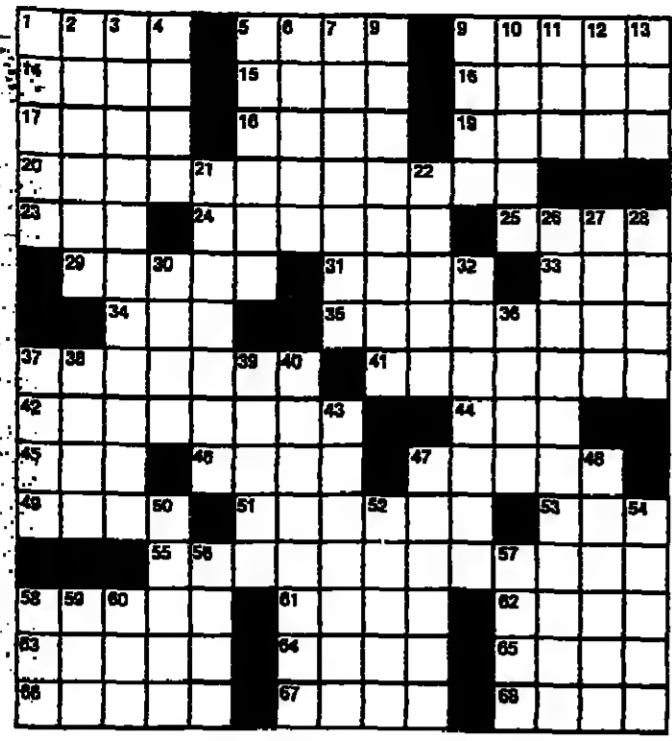
NEW HIGHS AND LOWS

Table of NEW HIGHS AND LOWS.

The "International Executive Opportunities"

Advertisement for 'The International Executive Opportunities' appearing Tuesdays, Thursdays & Saturdays.

CROSSWORD By Eugene T. Maleska

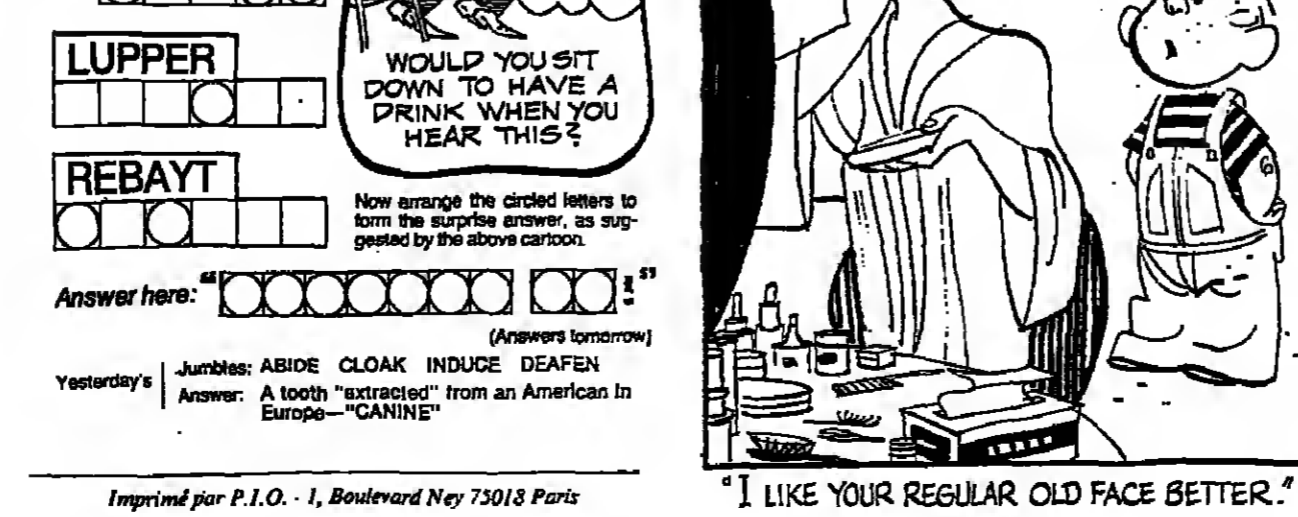
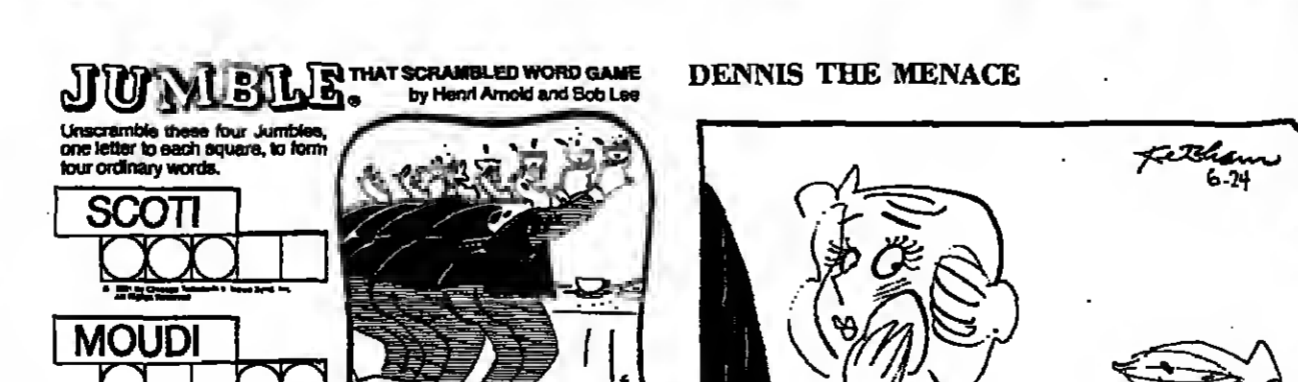
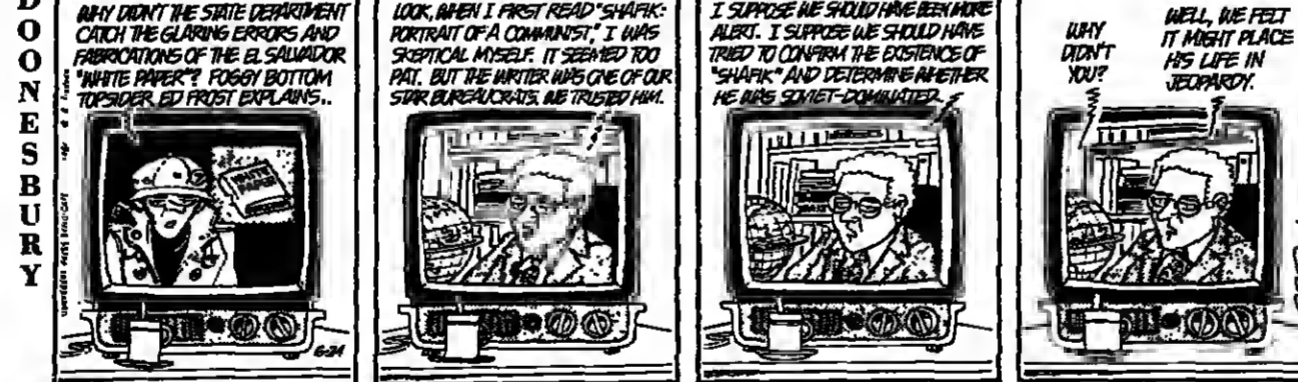
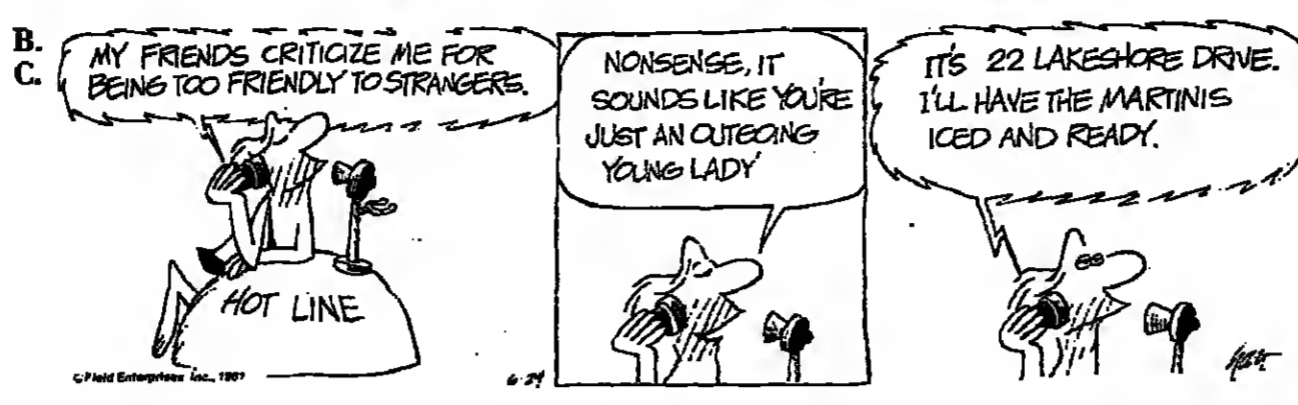


ACROSS
1 Lone Ranger's primp
2 Dismalish
3 Bernhardt
14 First shepherd
15 Gathering clouds, e.g.
16 Swiftly
17 Division of mankind
18 Races the motor
19 He shows surprise
20 "The ..." painting by 66
23 Haw's partner
24 Cruise port
25 Where the poetic hazy hangs mite
28 Madras, e.g.
31 Gold medalist
32 When to break a bad habit
34 Mar.'s follower
35 Kinsman
37 Pirate from Barbary
41 Leaves high and dry
42 Mathematics and biology
44 "The End Is ... Yet"
45 Native: Suffix
46 Teacher's concoction
47 Hem in
49 Back talk
51 Jacket
53 Monogram of Emerson or Ellison
54 Type of fiddler
55 Subject
61 Eden's ... of life
62 Big burden for a bandsman
63 Ekberg
64 Loyal to "Bromie Bruce"
65 Cut and splice
66 Impressionist
67 Makes a fluff
68 "Take ... your leader"

Table with columns for HIGH, LOW, and weather conditions for various cities like ALDARVE, ALGIERS, ANKARA, etc.

ADVERTISMENT INTERNATIONAL FUNDS June 23, 1981

Table listing various international funds such as BANK JULIUS BAER & Co. Ltd., BRITANNIA TRUST MGMT. CO. LTD., and others with their respective fund types and values.



BOOKS THE MAPMAKERS

By John Noble Wilford. Illustrated. 414 pp. \$20. Knopf, 201 E. 52d St., New York 10022.

Reviewed by Christopher Lehmann-Haupt

DESPITE everything, we were all a little amazed. First John H. Glenn, when he looked down and saw "the whole state of Florida" near the end of his Earth orbit in 1962; then subsequent astronauts; then the rest of us when we saw the first photograph from space — we were all a little amazed. The Earth looked just like a map; they had gotten it right! And though even the dumbest among us knew the approximate answer when we stopped to think about it, there was part of all of us that exclaimed: How did they know? How on earth did they know?

Rome Weighing Plan to Excavate Forum Complex

ROME — A proposal to excavate sections of five Roman imperial forums and join them into one archaeological park is being considered jointly by the city of Rome and the Italian government. "This project would allow the public to see the whole Roman forum complex as it was before the Middle Ages, to appreciate its unique continuity," said Giulio Carlo Argan, the 72-year-old art historian and former mayor of Rome.

Table titled 'Solution to Previous Puzzle' with a grid of numbers and letters.

BRIDGE By Alan Truscott

SOUTH bid strongly in the face of diamond bids by her opponents, and eventually continued to five clubs when her partner contributed a bold raise in that suit. West led a diamond and since the heart finesse was due to win, the defense could not hope to take more than a trick in each black suit. But a funny thing happened when South ruffed the opening lead

Vertical text on the right edge of the page, possibly a page number or other markings.



Observer

The Zucchini Glut

By Russell Baker
NEW YORK — After hearing that a Japanese scientist had bred a square watermelon...

entist who produced a square tomato and had been frittering away his time trying to breed a square tomato worm.



Baker

Some Giants of Literature Seen Through Two Prisms

By Hilton Kramer
NEW YORK — The Pierpont Morgan Library has fetched up from its vast storehouse of autograph manuscript materials an astonishing survey called "British Literary Manuscripts, 1800-1914..."

caricatures of these same writers. Among them are some of the most accomplished — as well as some of the funniest — caricatures this very prolific artist has produced in recent years.



Levine's Macaulay, with page from his "History of England."

PEOPLE:

Buyer Pays \$5,000 For 'Big Three' Ruble
Christopher Faye of Mankato, Minn., paid \$5,000 for a 10-ruble note signed by Winston Churchill, Franklin D. Roosevelt and Joseph Stalin at the Sotheby Park...

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CLASSIFIED ADVERTISEMENTS

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